Quarterly Financial Report

2nd QUARTER

Six months ended

August 31,

2008

Manitoba Public Insurance

Management Discussion and Analysis

Management's discussion and analysis provides a review of the financial results and future outlook of Manitoba Public Insurance. It should be read in conjunction with the unaudited financial statements for the second quarter ended August 31, 2008 included herein and the annual audited financial statements and supporting notes included in the corporation's 2007 Annual Report. Certain information in this report may consist of forward-looking statements. These statements are based on various techniques and assumptions including predictions about future events which may not occur. Actual results could deviate significantly from the forward-looking statements.

Goal 1

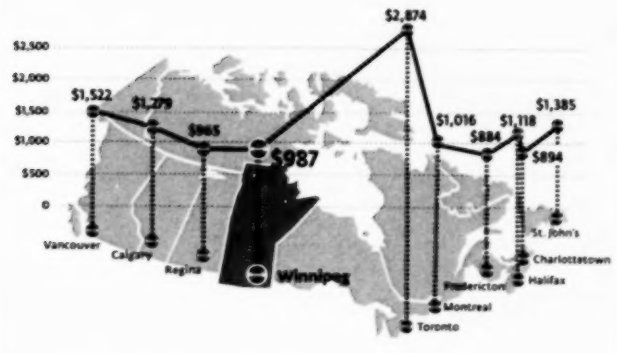
Universally available mandatory protection against the cost of automobile accidents. Rates, on average, will be lower than those charged by private insurance companies for comparable coverage and service.

Why? One reason for our creation was to deliver the best insurance value to Manitobans. This is the essence of our continuing success.

Driving and rating criteria:

- 2005 Toyota Matrix XR, (4 door hatchback, 4 cylinder)
- $500 All Perils deductible
- $2 Million Third-Party Liability

Among the lowest rates in Canada

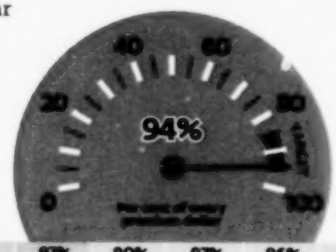


Goal 2

The Basic plan will return at least 85% of premium revenue to Manitobans in the form of claims benefits.

Why? Over the long-term, returns within this range strike the right balance. We pay back to Manitobans substantially more of their premiums than would private insurers, while keeping a sound financial footing.

Premium returned for each dollar earned



Past Results (in per cent)

93%	96%	97%	90%	97%	96%	94%	96%
Q2-06/07	Q3-06/07	Q4-06/07	Q1-07/08	Q2-07/08	Q3-07/08	Q4-07/08	Q1-08/09

Goal 3

Manitoba Public Insurance will be a leader in automobile insurance and vehicle and driver licensing, providing Manitobans with superior products, coverage and service.

Why? By measuring key performance indicators, we can track the public's view of our performance.

Corporate Performance Index

Past Results

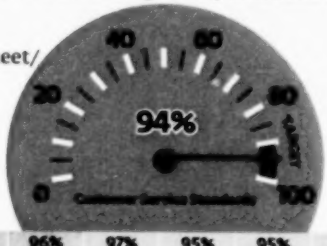
3.7	3.7	3.8	3.8	3.7	3.7	3.8	3.8
Q2-06/07	Q3-06/07	Q4-06/07	Q1-07/08	Q2-07/08	Q3-07/08	Q4-07/08	Q1-08/09

Goal 4

Manitoba Public Insurance will provide service that is responsive, fair, courteous and convenient. Manitoba Public Insurance will meet corporate customer service standards that are based on customer expectations.

Why? We value our customers and put their interests first. Also, Manitobans expect more from us than from private insurers, because Manitoba Public Insurance is their company. We believe their higher expectations are justified.

Overall, how often do we meet/ exceed standards



Past Results (in per cent)

97%	96%	96%	97%	95%	95%	94%	95%
Q2-06/07	Q3-06/07	Q4-06/07	Q1-07/08	Q2-07/08	Q3-07/08	Q4-07/08	Q1-08/09

Goal 4 continued

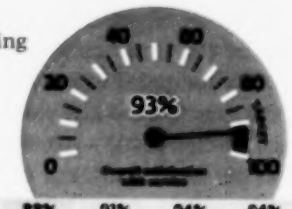
Customer Satisfaction in Major Operational Areas

Physical Damage Claims

Past Results (in per cent)

85%	81%	83%	81%	82%	83%	84%	84%
Q3- 06/07	Q3- 06/07	Q4- 06/07	Q1- 07/08	Q2- 07/08	Q3- 07/08	Q4- 07/08	Q1- 08/09

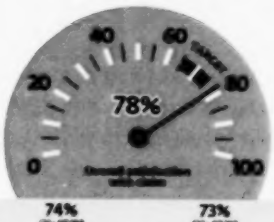
Driver and Vehicle Licensing



Past Results (in per cent)

92%	82%	88%	91%	94%	94%	94%	94%
Q3- 06/07	Q3- 06/07	Q4- 06/07	Q1- 07/08	Q2- 07/08	Q3- 07/08	Q4- 07/08	Q1- 08/09

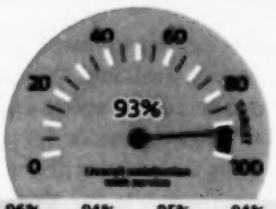
Bodily Injury Claims



Past Results (in per cent)

74%	74%	73%	78%
Q3- 06/07	Q1- 07/08	Q3- 07/08	Q1- 08/09

Insurance Operations Policyholder Transactions



Past Results (in per cent)

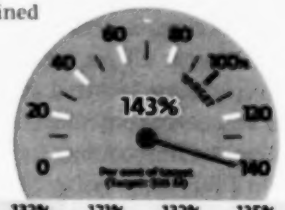
97%	98%	96%	94%	95%	94%	92%	94%
Q3- 06/07	Q3- 06/07	Q4- 06/07	Q1- 07/08	Q2- 07/08	Q3- 07/08	Q4- 07/08	Q1- 08/09

Goal 5

Retained Earnings and Rate Stabilization Reserve will be maintained within established target levels.

Why? Our long-term objective is to break even financially and to be financially self-sufficient. Maintaining the RSR within its target range helps us control rates when claim costs rise substantially. Manitobans deserve stable, affordable premiums over the long term.

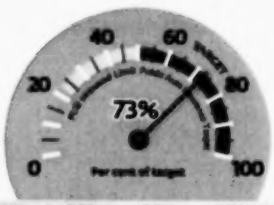
Extension Retained Earnings



Past Results (in per cent)

142%	135%	132%	121%	132%	135%	145%	165%
Q3- 06/07	Q3- 06/07	Q4- 06/07	Q1- 07/08	Q2- 07/08	Q3- 07/08	Q4- 07/08	Q1- 08/09

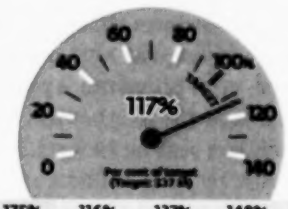
Basic Rate Stabilization Reserve



Past Results (in per cent)

84%	54%	60%	86%	89%	60%	59%	63%
Q3- 06/07	Q3- 06/07	Q4- 06/07	Q3- 07/08	Q2- 07/08	Q3- 07/08	Q4- 07/08	Q1- 08/09

SRE Retained Earnings



Past Results (in per cent)

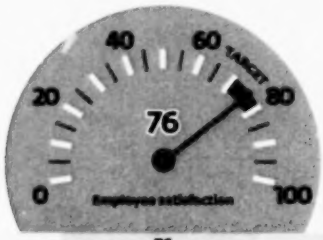
158%	168%	175%	116%	137%	148%	143%	150%
Q3- 06/07	Q3- 06/07	Q4- 06/07	Q1- 07/08	Q2- 07/08	Q3- 07/08	Q4- 07/08	Q1- 08/09

Goal 6

Manitoba Public Insurance will offer an environment and career opportunities that will encourage employees to strive for excellence. Our people will be treated with respect and fairness and their contributions will be recognized.

Why? We value our employees.

Level of employee satisfaction



Past Results

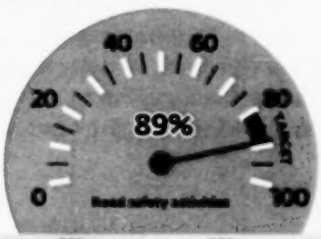
79	76	76
Q1- 04/05	Q2- 06/07	Q4- 07/08

Goal 7

Manitoba Public Insurance will lead driver and vehicle safety initiatives that reduce risk and protect Manitobans, their streets and their neighbourhoods. Manitobans will recognize the Corporation is living its mission.

Why? Pursuing traffic safety and loss-prevention programs reflects our long standing commitment to the well-being of Manitobans and to affordable auto insurance. Manitobans have told us they support these efforts.

Public support for road safety



Past Results (in per cent)

91%	93%	92%	90%
Q2- 06/07	Q4- 06/07	Q2- 07/08	Q4- 07/08

Results of Operations

Manitoba Public Insurance reported net income after surplus distribution of $40.3 million for the six months ended August 31, 2008 compared to net income of $80.3 million for the same period last year. This includes net income of $22.6 million (2007 – net income of $56.9 million) from the Basic Insurance line of business.

Current Year and Last Year

Total earned revenues for the six months increased from the previous year by $18.5 million. The majority of this increase is attributed to motor vehicle earned revenues which increased by $20.9 million or 5.5 per cent due mainly to increases in the number and value of vehicles insured. Investment income for the six months decreased by $48.8 million compared to the same period last year primarily a result of lower gains on the sale of equities.

Claims costs for the six months ended August 31, 2008 increased by $8.0 million or 2.1 per cent compared to last year. Physical damage claims incurred decreased by $24.3 million. The success of corporate initiatives to curtail auto-theft, including the Immobilizer Incentive Program and Winnipeg Auto Theft Suppression Strategy, has resulted in a decline in theft and attempted theft claims costs of $7.0 million or 36.2% from the six months ended August 31, 2007. Also, last year's results were adversely affected by a severe hailstorm that struck Dauphin and other communities in August, 2007, which resulted in claims incurred, after reinsurance protection, of $10.0 million. Damage due to other less severe hailstorms also declined from last year by $9.4 million. Bodily injury claims incurred rose by $28.9 million as Personal Injury Protection Plan (PIPP) coverage types are subject to inflationary increases.

The corporation has established an Immobilizer Incentive Fund by appropriating $50.0 million from the Basic Rate Stabilization Reserve (RSR). The fund provides financial assistance for vehicle owners to install electronic immobilizers that meet the Canadian standard, including paying 50 per cent of the cost of the standard installation and providing interest-free financing for the remaining 50 per cent up to five years. In addition, the fund also covers 100 per cent of standard installation costs for vehicles most likely to be stolen, regardless of where in Manitoba they are registered. Activity to August 31, 2008 reduced the fund by $38.6 million to $11.4 million. The fund also covers the administrative costs of the program.

In addition, the corporation established on March 1, 2007, the Extension Development Fund (EDF), by appropriating competitive lines retained earnings in excess of the most recent year's target of 200 per cent of the Minimum Capital Test (MCT). The MCT is a risk-based methodology developed by the Office of the Superintendent of Financial Institutions (OSFI) to assess a property and casualty insurance company's financial risk and determines the capital adequacy of reserves held in retained earnings. On March 1, 2007, $39.0 million and on July 1, 2008, $31.7 million was transferred from competitive lines retained earnings to fund the EDF. The EDF is being used to fund service improvements made possible by the merger with the Division of Driver and Vehicle Licensing and that flow through the competitive lines statement of operations. Activity to August 31, 2008 has reduced the EDF by $6.9 million to $63.8 million.

On November 26, 2007, the Public Utilities Board (PUB) released its ruling on the corporation's rate application for the 2008/09 fiscal year. Effective March 1, 2008, overall average Basic insurance rates remained unchanged from the previous year. The PUB also ordered the payment of a 10 per cent premium rebate to all Basic insurance policyholders based on 2006/07 rates. At February 29, 2008, the rebate was estimated to be $62.7 million. The amount was actualized during the first quarter of the current fiscal year when $62.6 million was distributed to Basic policyholders.

Retained Earnings

Retained earnings of $324.5 million (2007 - $329.6 million) are comprised of $167.6 million for Basic Insurance (2007 - $195.5 million) and $156.9 million for competitive lines (2007 - $134.1 million). The Basic Insurance retained earnings are allocated to the Rate Stabilization Reserve $156.2 million and the Immobilizer Incentive Fund $11.4 million. The Competitive Lines retained earnings are allocated to retained earnings $93.1 million and the Extension Development Fund $63.8 million.

Outlook

The corporation remains committed to achieving its seven corporate goals. Actual results will be monitored, and corrective actions taken when necessary, to ensure that expected outcomes are realized.

On June 13, 2008, the corporation released its 2009/10 Basic insurance rate application to the PUB which includes a 1.0 per cent overall average rate decrease from 2008/09 rates. The PUB is expected to rule on the application in the fourth quarter of the fiscal year.

Current projections indicate the corporation is expected to realize net income from operations of approximately $26.6 million during the current fiscal year.

Statement of Operations
(Unaudited)

	Three months ended August 31,		Six months ended August 31,	
	2008	**2007**	**2008**	**2007**
	(in thousands of dollars)		(in thousands of dollars)	
Premiums written	$ 217,290	$ 205,216	$ 462,953	$ 439,455
Total earned revenues	$ 234,340	$ 224,249	$ 456,361	$ 437,875
Claims costs	194,221	201,688	382,841	374,838
Expenses	43,873	41,792	85,278	83,703
Total claims and expenses	238,094	243,480	468,119	458,541
Underwriting income (loss)	(3,754)	(19,231)	(11,758)	(20,666)
Investment income	30,925	34,739	52,032	100,794
Net income from operations	27,171	15,508	40,274	80,128
Surplus distribution	0	0	54	136
Net income after surplus distribution	$ 27,171	$ 15,508	$ 40,328	$ 80,264

Balance Sheet
(Unaudited)

	August 31, 2008	February 29, 2008
	(in thousands of dollars)	
ASSETS		
Cash and investments	$ 2,199,329	$ 2,187,313
Accounts receivable	269,771	256,583
Other assets	121,648	127,043
	$ 2,590,748	$ 2,570,939
LIABILITIES		
Unearned premiums	$ 422,114	$ 419,990
Provision for unpaid claims	1,562,768	1,512,625
Provision for employee current and future benefits	207,988	202,625
Other liabilities	47,240	128,356
	2,240,110	2,263,596
RETAINED EARNINGS		
Basic insurance retained earnings		
Rate stabilization reserve	156,208	127,122
Immobilizer incentive fund	11,426	17,925
	167,634	145,047
Competitive lines retained earnings		
Retained earnings	93,047	103,739
Extension development fund	63,822	35,389
	156,869	139,128
	324,503	284,175
ACCUMULATED OTHER COMPREHENSIVE INCOME	26,135	23,168
	$ 2,590,748	$ 2,570,939

Statement of Retained Earnings
(Unaudited)

	Three months ended August 31,		Six months ended August 31,	
	2008	RESTATED 2007	2008	RESTATED 2007
	(in thousands of dollars)		(in thousands of dollars)	
BASIC INSURANCE				
Rate Stabilization Reserve				
Balance beginning of period	$ 135,729	$ 160,585	$ 127,122	$ 128,122
Transition adjustment (Note 3)	0	0	0	(22,693)
Net income after surplus distribution	17,292	4,684	22,587	56,920
Transfer from Immobilizer Incentive Fund	3,187	3,520	6,499	6,440
Balance end of period	156,208	168,789	156,208	168,789
Immobilizer Incentive Fund				
Balance beginning of period	14,613	30,223	17,925	33,143
Transfer to Rate Stabilization Reserve	(3,187)	(3,520)	(6,499)	(6,440)
Balance end of period	11,426	26,703	11,426	26,703
Balance Basic Insurance Retained Earnings end of period	167,634	195,492	167,634	195,492
COMPETITIVE LINES				
Balance beginning of period	113,039	85,084	103,739	110,983
Transition adjustment (Note 3)	0	0	0	(255)
Net income from operations	9,879	10,824	17,741	23,344
Transfer from (to) Extension Development Fund	(29,871)	757	(28,433)	(37,407)
Balance end of period	93,047	96,665	93,047	96,665
Extension Development Fund				
Balance beginning of period	33,951	38,164	35,389	0
Transfer from (to) Competitive Lines Retained Earnings	29,871	(757)	28,433	37,407
Balance end of period	63,822	37,407	63,822	37,407
Balance Competitive Lines Retained Earnings end of period	156,869	134,072	156,869	134,072
Balance Retained Earnings end of period	$ 324,503	$ 329,564	$ 324,503	$ 329,564

Statement of Comprehensive Income
(Unaudited)

	Three months ended August 31,		Six months ended August 31,	
	2008	**2007**	**2008**	**2007**
	(in thousands of dollars)		(in thousands of dollars)	
Net income after surplus distribution	$ 27,171	$ 15,508	$ 40,328	$ 80,264
Other Comprehensive Income (Loss)				
Unrealized gains (losses) on available for sale assets	(18,272)	(33,102)	11,704	(33,958)
Reclassification to income from available for sale assets	(6,484)	(14,708)	(8,737)	(49,516)
Other Comprehensive Income (Loss) for the period	(24,756)	(47,810)	2,967	(83,474)
Total Comprehensive Income (Loss) for the period	$ 2,415	$ (32,302)	$ 43,295	$ (3,210)

Statement of Accumulated Other Comprehensive Income
(Unaudited)

Balance beginning of period	$ 50,891	$ 44,611	$ 23,168	$ 0
Transition adjustment (Note 3)	0	0	0	80,275
Other Comprehensive Income (Loss) for the period	(24,756)	(47,810)	2,967	(83,474)
Balance end of period	$ 26,135	$ (3,199)	$ 26,135	$ (3,199)

Statement of Cash Flows
(Unaudited)

	Three months ended August 31,		Six months ended August 31,	
	2008	2007	2008	2007
	(in thousands of dollars)		(in thousands of dollars)	
Cash Flows From (To) Operating Activities				
Net income after surplus distribution	$ 27,171	$ 15,508	$ 40,328	$ 80,264
Non-cash items	(11,548)	(13,215)	(12,041)	(48,957)
	15,623	2,293	28,287	31,307
Net change in non-cash balances	25,116	44,422	(22,374)	(112)
	40,739	46,715	5,913	31,195
Cash Flows From (To) Investing Activities	4,610	39,479	26,212	30,506
Increase In Cash and Short-term Investments	45,349	86,194	32,125	61,701
Cash and short-term investments beginning of period	117,553	32,607	130,777	57,100
Cash and Short-term Investments End of Period	$ 162,902	$ 118,801	$ 162,902	$ 118,801

Notes to Financial Statements

1. Certain of the comparative figures have been reclassified to conform with the current period financial statement presentation.
2. These interim financial statements:
   - should be read in conjunction with the corporation's 2007 Annual Report including the financial statements and supporting notes.
   - have been prepared following the same accounting policies that are disclosed in the corporation's 2007 Annual Report.
3. Effective on March 1, 2007 the corporation adopted the recommendations of CICA Handbook Section 1530, Comprehensive Income ("Section 1530"); Section 3855, Financial Instruments - Recognition and Measurement; Section 3861, Financial Instruments - Disclosure and Presentation; and Section 3251, Equity. These sections provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities, and non-financial derivatives. Section 1530 provides standards for the reporting and presentation of comprehensive income, which represents the change in equity, from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian Generally Accepted Accounting Principles (GAAP). The effect of the application of these standards increased the carrying value of investments by $80,275,000 from $2,015,010,000 to $2,095,285,000 at March 1, 2007 to reflect the fair value of available-for-sale financial assets.

   As a consequential effect of applying these new standards, the claims liabilities were recalculated using a market rate at March 1, 2007 resulting in an increase to the claims liabilities of $22,948,000. Changes resulting from the recalculation have been recorded as transition adjustments in opening Basic Rate Stabilization Reserve and opening Competitive Lines retained earnings.

MANITOBA PUBLIC INSURANCE OFFICES

Administrative Offices

Brandon
731-1st Street
R7A 6C3
Tel: 729-9400
Head office and Special Risk Extension

Winnipeg
Box 6300
R3C 4A4
Tel: 985-7000

Outside Winnipeg
Tel: 1-800-665-2410

Deaf access TTY / TDD
Tel: 985-8832

Claim Offices

WINNIPEG LOCATIONS

North
445 King Street
R2W 5H2
Fax: 942-8317

North Central
1103 Pacific Avenue
R3E 1G7
Fax: 783-2764

South
930 St. Mary's Road
R2M 4A8
Fax: 254-0308

South Central
420 Pembina Highway
R3L 2E9
Fax: 284-7675

West
125 King Edward Street East
R3H 0V9
Fax: 783-0374

Casualty and Rehabilitation
Box 6300
R3C 4A4
Tel: 985-7200

Rehabilitative Case Management
Box 6300
R3C 4A4
Tel: 985-7200

Bodily Injury and Medex Injury
Box 6300
R3C 4A4
Tel: 985-7200

Physical Damage Centre
1981 Plessis Road
Box 45064
Regent Postal Outlet
R2C 5C7
Tel: 985-7771

Holding Compound
Tel: 985-7771

Salvage
Tel: 985-7844

Commercial Claims
Tel: 985-7877

PROVINCIAL LOCATIONS

Arborg
323 Sunset Boulevard
Box 418
R0C 0A0
Tel: 376-6633

Beausejour
848 Park Avenue
Box 100A
R0E 0C0
Tel: 268-6400

Brandon
731-1st Street
R7A 6C3
Tel: 729-9555 Claim Centre
Tel: 1-800-852-2743 Rural

Dauphin
217 Industrial Road
Box 3000
R7N 2V5
Tel: 622-2750

Flin Flon
8 Timber Lane
Box 250
R8A 1M9
Tel: 681-2200

Portage la Prairie
2007 Saskatchewan Avenue West
Box 1150
R1N 3J9
Tel: 856-2600

Selkirk
630 Sophia Street
R1A 2K1
Tel: 482-1400

Steinbach
91 North Front Drive
Box 2139
R5G 1N7
Tel: 326-4453

Steinbach Injury Claim Services Clearspring Mall 2
PTH 12
R5G 1T7
Tel: 346- 8030

Swan River
125-4th Avenue North
Box 1959
R0L 1Z0
Tel: 734-4574

The Pas
424 Fischer Avenue
Box 9100
R9A 1R5
Tel: 627-2200

Thompson
53 Commercial Place
Box 760
R8N 1N5
Tel: 677-1400

Winkler
355 Boundary Trail
Box 1990
R6W 4B7
Tel: 325-9538

Driver and Vehicle Licensing Centres

WINNIPEG LOCATIONS

Main Floor –
234 Donald Street
R3C 4A4
Tel: 985-7000

2020 Corydon Avenue
R3P 0N2
Tel: 985-8992

2188 McPhillips Street
R2V 3C8
Tel: 985-8984

1006 Nairn Avenue
R2L 0Y2
Tel: 985-8043

PROVINCIAL LOCATIONS

Portage la Prairie
Provincial Building
25 Tupper Street North
R1N 3K1
Tel: 856-2624

Brandon
731-1st Street
R7A 6C3
Tel: 729-9487

Dauphin
Provincial Building
27-2nd Avenue Southwest
R7N 3E5
Tel: 622-2783

Thompson
Provincial Building
105–59 Elizabeth Drive
R8N 1X4
Tel: 677-1421

Winkler
355 Boundary Trail
Box 1990
R6W 4B7
Tel: 325-9538

Manitoba
Public Insurance

For more information contact:

Manitoba Public Insurance
Corporate Communications
Room 820, 234 Donald Street
P.O. Box 6300
Winnipeg, MB R3C 4A4